

PROPOSITION B - FISCAL IMPACT

As recent as June 30, 2000, the valuation of the Plan assets was \$2.46 billion and the projected Plan liabilities were \$2.53 billion. This represented a funding ratio (Plan assets to Plan liabilities) of 97.3%. As June 30, 2005, the most recent data available, the Plan assets were \$2.98 billion, while the projected Plan liabilities have grown to \$4.38 billion. This represents a funding ratio of 68.2% and an unfunded liability of \$1.4 billion. In addition, the unfunded liability as a percentage of payroll went from 15.4% in fiscal year 2000 to 216.9% in fiscal year 2003.

While a portion of the increase to the unfunded liability was the result of poor investment performance, the significant cause of the City's current dilemma resulted from the City's decision to grant increased employee retirement benefits while at the same time not making the necessary contributions to fund these benefits. During this same time period, the City's annual required contribution to the System grew from \$47.5 million in fiscal year 2000 to \$162 million in fiscal year 2007, taking valuable resources away from critical services and capital needs.

Proposition B requires that City employee benefit increases approved by the City Council be subject to approval by San Diego voters. It also requires public disclosure of the full cost and impact of the proposed benefit increases on the financial stability of the City's retirement system, along with a clear explanation of the proposed source of funding for these benefits.

Costs associated with public votes on proposed benefit increases would be limited, with the expectation if Proposition B is approved that City employee contracts would be synchronized with regularly scheduled elections, and such votes would be consolidated with regular primary or general elections.